MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 3, 2018/2019

BAC 3684 – SECURITIES INVESTMENT AND PORTFOLIO MANAGEMENT

(B. Acc)

27th MAY 2019
9.00 a.m – 12.00 p.m
(3 Hours)

INSTRUCTIONS TO STUDENTS

1. This question paper consists of 2 pages with 4 questions only.

2. Attempt ALL questions. All questions carry equal marks and the distribution of the marks for each question is given.

3. Please write all your answer in the Answer Booklet provided.

Question 1 (25 marks)

(a) Apollo Industries Bhd anticipates its dividend at the end of the first year are RM1.60 and that they will grow at 18 percent per year until the end of the fifth year. After that, the dividend will grow at 6 percent per year for the foreseeable future. All dividends are to be discounted back to the present at a 12 percent rate.

(i) Compute dividends for year one through five. All values that you compute must round to two decimals point. (5 marks)

(ii) Calculate the present value of the dividends in part (i). (5 marks)

(iii) Project the dividend for the sixth year. (1 marks)

(iv) Estimate the present value of the sixth year's dividend at the end of the fifth year. (2 marks)

(v) Discount back the value found in part (d) for five years at 12 percent. (2 marks)

(b) Generally speaking, all types of investment vehicles are exposed to some risk. Bonds are one of them. Bonds are exposed to how many type of risk? Explain **FIVE (5)** types of risks that bonds are exposed to.

(10 marks)

Question 2 (25 marks)

(a) Briefly explain the three processes in Top-Down Approach of investment analysis. (6 marks)

(b) When should you use Industry Life Cycle Analysis and Business Cycle Analysis? Show in the form of a diagram the difference between these two analyses.

(19 marks)

Continued...

Question 3 (25 marks)

(a) Based on the following data for XYZ stock, calculate the 5-day moving average closing price:

Day	High (RM)	Low (RM)	Close (RM)
1	89.80	87.80	87.88
2	89.90	87.80	89.38
3	87.50	85.70	87.31
4	89.10	87.50	87.81
5	90.30	87.75	88.13
6	89.10	86.70	88.81
7	88.40	85.50	86.75
8	90.60	85.40	85.44
9	91.10	88.60	89.50
10	92.70	88.10	89.31
11	91.90	90.10	91.31
12	91.75	89.25	89.50
13	92.25	89.60	90.81
14	92.75	90.40	92.00

(20 marks)

(b) Islamic banks invest in Islamic Debt funds to avoid total dependent on loan income and to increase returns on investment. Explain three characteristics of Islamic debt funds that can be utilized for investments.

(5 marks)

Question 4 (25 marks)

(a) Explain the principle of 'in the money' and 'out of the money' in option market.

(8 marks)

(c) Why do we say that call buyer has unlimited profit but limited loss? Please explain with an example and a diagram.

(17 marks)

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